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Sent: Monday, October 22, 2001 2:58 PM
To: Alberto J Verme; Brian Schmidt; Chad A Leat; Chris Lyons; Damien Mitchell; Dean Keller; Elena T Matrullo; James F Reilly; John Melesius; Maureen A Hendricks; Michael W Nepveux; Randolph Barker; Richard A Stuckey; Steven Becton; Steven R Victorin; Thomas D Stott; William T Fox III
Subject: Conversation with Ben Glisan

Jim Reilly and I spoke with Treasurer Ben Glisan earlier today. It would not appear that reality has set in yet. He highlighted that they have made progress over the weekend gathering information and that we may be in a position to sit down as soon as Wednesday. We explained that the process we initiated last week for the bonds is really one in the same taken to an even higher level now with the capital request. We made it clear that this has very senior visibility. He acted somewhat surprised at the scrutiny given that its a sr secured facility for a high BBB credit (security being from baskets and A/R). Ultimately he recognized the importance of us getting in there.

Agencies

S&P's current status is predicated on no book hits coming (unlikely). Both agencies are taking a lot of comfort in their conversations with the PUC and the state authorities that Portland General will close. The markets skepticism appears to have been carefully considered prior to the deal being struck. There appears to be interaction with the agencies but not quite at the level I would have suspected. He knows its game over if they lose their ratings and volunteered that they would sell the pipe, wholesale or retail if they had to to preserve their rating.

In light of the equity market hit today, company is considering a conference call tomorrow. I highlighted that I would only do a call if I knew they could nail everything since the market will show zero tolerance. I expressed that the equity side seems particularly clueless as to the real off balance sheet issues and that bond guys intelligent questions could make the situation worse not better. I strongly advocated a test run with our team before I would run the risk with the outside world. He asked again what the focus on that call should be and I repeated our mantra: real cash, real asset values, real liabilities. He walked through one of the reasons they struggle with the numbers. In terms of cash flow, EBITDA and Funds Flow make sense. When they look at operating cash flow there are two odd results. With the timing of broker deposits they were a net holder of margin at year end. Now they are a net poster to the tune of \$1.6B. The trading book has grown astronomically without the best receivables control. In a subsequent conversation with Rick Stuckey, this observation looks pretty troubling and sparks a series of other questions.

We also agreed that the company should put together the cash snap shot as discussed.

We talked about what the market expects with Andy. He painted two schools of thought the Andy stays versus Andy goes and the internal leaning is clearly toward him staying. I said whether right or wrong the market is looking for him to move. The architect of the strategy is not the guy to unwind it. He clearly hears that.

There is clearly a dialogue with some element of an honest sharing of the issues. The direction this takes will clearly play out in the next 48 hrs with the information. I am at a point where I think we have to request the trading book components to really have a hope in knowing what we have here.

We will await the team's report from Houston this evening.

